

Summary of Stakeholder Meeting Notes

Employees (First Session), January 25, 2008, 11:30 AM

Purpose of Stakeholder Feedback Sessions

The San Jose City Council has authorized the Stakeholder Feedback Process to:

- Provide information about the new GASB (Government Accounting Standard Board) requirements and current/future retiree health cost liabilities, and to
- Solicit ideas from stakeholders about how to respond to the new GASB requirements and how best to pay for and manage future retiree health care costs.

Guiding Principles Offered by Stakeholders

The following are Stakeholders' points of guidance for the decision-making process related to GASB requirements and the City's/employees' current and future retiree health care obligations:

- GASB wasn't any surprise. It was passed in 2004 and FASB was having an effect on private-sector employers even earlier. The City's and our contributions should have been increased long ago so we wouldn't have this large liability now.
- If we hadn't used resources for a new City Hall, we wouldn't have this problem.
- Employees were given a promise of retiree health care when we signed on. Now I'm close to retirement and the City is trying to take it away---the promise has changed.
- Sacramento County has voted to eliminate retiree benefits because of GASB. We hope that doesn't happen here.
- Slow down. This doesn't have to be solved today.
- Employees and all stakeholders should be able to learn first-hand from the experts like bond rating agencies, actuaries, health plan providers, etc. Keep the information coming and transparent. Hold the meetings here, not in private.
- Some employees are skeptical about the whole actuarial process. If we don't have confidence in the actuaries' reports, why should we be willing to be affected by their recommendations? Also, why did three actuaries come up with such different results? There should be more consistency—they can't all be right. Maybe none are right.

- The City needs to be more aggressive in pushing back on health plans who bring large increases.
- The City would be foolish to consider any improvements in the retirees' benefits until this future liabilities and costs matter is resolved.
- The people who haven't been hired yet (prospective employees) should be affected the most by any changes. This way they know up front what to expect.
- We're pretty unhappy with the Mayor and Council saying there's a need for a shared burden when they are so wasteful. We're already overly sharing the burden of retiree costs---just look at the 40% increase in our contributions that is coming up in June. The City and Council should cut out all waste, then come and ask us to help with our 50% contribution, not before.
- We have a promise and contract. Don't change it.
- The City has been overspending—that's not our fault—we shouldn't have to contribute to the City's wasteful practices and overspending.
- This is an excellent forum. We appreciate the opportunity to be heard.
- Improvements in communications are needed. Several employees didn't receive invitations to some of the prior stakeholder sessions (e.g. Unit 99).
- In the research of other employers, be sure to include some who are partially funded like us.
- If increases in co-pays are to be considered, be thoughtful about the possible impact of the increased co-pays acting as a barrier to needed care.
- Why pre-fund any more than we're doing now? The federal government and GASB don't require pre-funding.
- Don't close the input loop. As you get closer to deciding from options, let us have another look and an opportunity to weigh in. Also, show ranges of cost differences over time of the options.

Possible Actions and Ideas Suggested by Stakeholders

The following are Stakeholders' suggestions and ideas about how to respond to GASB requirements and to pay for/manage current and future retiree health care obligations:

- Look at what others who are ahead of us are doing. That should give us guidance on eliminating benefits, changing benefits and/or eligibility, reducing risks, controlling costs, etc.
- We had a better arrangement and control over costs with the self-insured plan used several years ago. Now costs have run away in the fully-insured plan, so look into going back to self-insured.
- Investigate wellness programs. Even consider in-house programs, but they need to be more aggressive and better supported by the City
- Find out what cost control successes other public entities are having and adopt those measures.

- Do a better job of differentiating between the \$1.2-1.65m liability over many decades and the funding over 30 years limit imposed by GASB.
- The Mayor and Council say “everything’s on the table” but we know there are sacred cows out there. For example, why is the City in the hotel and entertainment business? Sell non City-services assets and put the proceeds into the retiree cost fund.
- We want to hear ideas on how to resolve this directly from providers. Bring them here so we can listen and question them directly.
- We should discuss co-pays because increases in co-pays would help control costs.
- The cities of Sunnyvale, Palo Alto, Mountain View and Milpitas have good retiree cost controls and plans---look at what makes them successful.
- Merge our plan with other plans and gain efficiencies of size to control costs.
- Join with others to lobby for a single-payer, universal health care system.
- Before decisions are made, hold another (much more specific) series of meetings with options and let us have input to those specific alternatives.
- Hold wellness classes so people can learn how to become healthier. In addition, communicate better about what resources are available for people to improve their health on their own.
- Most people don’t know how their benefits might be different between active and retiree status, and they don’t know what benefits apply when Medicare kicks in. It would be useful to do (lots of) education about these benefits differences.
- Look into Medigap plans for retirees.
- Santa Clara County and some other counties contribute a defined amount and they let retirees choose how to spend the contribution. Investigate whether this would work for us.
- Consider a catastrophic-only plan with an opportunity to “buy up” to better benefits.
- Cut out waste before even considering cutting benefits.

Open Questions to be Researched

1. Is it legal for the City to change the vesting (eligibility) period, contribution amounts and benefits?
2. If the City’s bond rating won’t be affected, what’s the rush?
3. According to the Kaiser Family Foundation chart, we’re on the down slope of health cost increases over the past five years. Won’t this problem go away as costs increases lessen?
4. What happens to a surviving spouse and/or dependent(s) when a retiree dies?

Next Steps

- Continue the Stakeholder Feedback Process

- Post results of each Stakeholder Session on the City's Website
- Incorporate added comments
- Assemble all Feedback Session results into a non-evaluative report of Stakeholder Feedback and ideas for the City Council